



Joint Legislative Audit Committee
Office of the Auditor General



**STATUS OF THE CALIFORNIA
DEPARTMENT OF AGING'S FUNDING,
CLOSING OF CONTRACTS, AND
MANAGEMENT INFORMATION SYSTEM**

Our review indicates that, as of September 9, 1980, approximately \$2.1 million in Older Americans Act funds were available to be committed to local agencies providing nutrition and social services to the elderly. This amount may be augmented or reduced, depending upon the closure of contracts with local agencies or the repayment to the Federal Government of funds which cannot be recovered from discontinued local agencies.

We also found that, as of September 9, 1980, the department had not closed 36 expired contracts; further, it has taken an average of 8 to 12 months from the date of contract expiration to close contracts with local agencies. Lastly, we found that some of the statistical reports the department receives from local agencies may contain estimates. Also these reports are not submitted by the due dates.

**REPORT TO THE
CALIFORNIA LEGISLATURE**

REPORT P-014.1

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

014.1

STATUS OF THE CALIFORNIA DEPARTMENT
OF AGING'S FUNDING, CLOSING OF CONTRACTS,
AND MANAGEMENT INFORMATION SYSTEM

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

October 22, 1980

014.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning the status of the California Department of Aging's funding, closing of contracts, and management information system.

The auditors are Robert E. Christophel, Audit Manager; Georgene L. Bailey; Walter M. Reno; Sandra S. Bevers; Mary M. Quiett; Edwin H. Shepherd; Kirk H. Gibson; and Mark A. Lowder.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

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SUMMARY

The California Department of Aging administers funds allocated to the State under the federal Older Americans Act of 1965 as amended. The department is responsible for supervising and administering nutrition and social services programs for the elderly. During fiscal year 1979-80, the total budget for the department was approximately \$66.3 million.

We have reviewed the status of Older Americans Act funds, the department's process for closing contracts with local agencies, and the status of the department's management information system. We found that, as of September 9, 1980, approximately \$2.1 million in Older Americans Act funds were available to commit to local agencies providing nutrition and social services to the elderly. But this amount may be augmented or reduced. The department may identify additional funds when it closes contracts from prior years with local agencies. However, if the department must repay excess funds which cannot be recovered from discontinued local agencies, it may be required to reduce the amount of available funds. (See page 11.)

Our review of the department's process for closing contracts with local agencies disclosed that 36 expired contracts originally valued at \$10.6 million had not been

closed as of September 9, 1980. (See page 16.) We further noted that the department has taken an average of 8 to 12 months from the date of contract expiration to close contracts. Contracts are not closed because local agencies do not always submit the required supporting documentation along with their closeout reports. Also, the documentation that is submitted may be inaccurate. Other delays can result if the department is auditing the contract records. The department has instituted a new procedure for closing contracts; this procedure may enable the department to redirect available funds more quickly.

Finally, we report on the status of the department's management information system. (See page 24.) To obtain the information needed to report fiscal and program statistics to the federal Administration on Aging, the department requires the Area Agencies on Aging to submit certain reports, some of which may contain estimates. Further, department staff stated that all of the local agencies' reports are not received by the due dates. The department is studying the development of a functional management information system.

INTRODUCTION

In response to a request by the Joint Legislative Audit Committee and under the authority vested in the Auditor General by Government Code Sections 10527 and 10528, we have examined the status of the federal Older Americans Act funds as of September 9, 1980. Further, we have reviewed the status of the California Department of Aging's closing of contracts and its management information system. In a second report, we will address the department's overall administration of programs for the elderly.

This section describes how the California Department of Aging administers and delivers its programs, it also details program funding, traces the budgeting process, and explains the scope and methodology of our review.

Program Administration and Delivery

State statutes have designated the California Department of Aging as the single state agency to administer funds which are allocated to the State under the federal Older Americans Act of 1965 as amended. As the state unit on aging,

the department is responsible for planning, coordinating, and monitoring programs to stimulate the development of a statewide network of comprehensive services for persons 60 years of age and older.

The department's responsibilities are to provide advocacy for the elderly in state government and to supervise and administer programs funded under Title IIIB and Title IIIC of the Older Americans Act. Title IIIB of that act provides for the development, delivery, and coordination of a system of supportive services to the elderly. These service systems include transportation, shopping assistance, outreach, legal assistance, recreation, and educational programs. The purpose of Title IIIC of the Older Americans Act is to provide senior citizens with nutritionally sound, inexpensive meals and nutrition-related services. Meals are primarily served at congregate dining locations, but some are delivered to homes of the elderly.

The California Department of Aging administers and delivers programs for the elderly through a statewide network. For administrative purposes, the State is divided into 33 Planning and Service Areas. Each of these areas is served by an Area Agency on Aging (AAA), which may be a county agency or a nonprofit organization. The AAAs are responsible for ensuring that a wide array of nutrition and social services are available to the elderly within the planning and service areas.

Generally, the AAAs do not directly deliver services; rather, they are authorized to contract with local service providers to perform these services. (In this report, the term local agencies will refer to either the AAAs or local service providers.)

As of August 1, 1980, the department had a total of 149 contracts with both the AAAs and local service providers which deliver services directly to the elderly. However, the 1978 revision of the Older Americans Act mandates that, by October 1, 1980, nutrition and social services be coordinated under a statewide network of AAAs. The department has established 18 new AAAs, bringing the total to 33. The distribution of these 33 AAAs is shown in Appendix A.

Program Funding

The federal Older Americans Act finances approximately 95 percent of the department's total budget for fiscal year 1980-81. Table 1 on the following page summarizes the department's total budgeted funds for fiscal years 1978-79 through 1980-81.

TABLE 1
DEPARTMENT OF AGING'S TOTAL FUNDS
1978-79 THROUGH 1980-81

Source of Funds:	<u>Actual 1978-79</u>	<u>Estimated 1979-80</u>	<u>Proposed 1980-81</u>
Federal	\$51,032,000	\$63,530,000	\$66,389,000
State	<u>1,259,000</u>	<u>2,728,000</u>	<u>3,134,000</u>
Total	<u>\$52,291,000</u>	<u>\$66,258,000</u>	<u>\$69,523,000</u>

Source: 1980-81 Governor's Budget

Budgeting Process

The California Department of Aging is responsible for receiving and administering federal funds for Older Americans Act programs. Congress appropriates funds for programs under the act. These funds are then apportioned to the states as grant awards according to a federal formula. The formula for Title IIIIB and Title IIIC programs is based upon the ratio of the states' population for persons aged 60 and older to the national population of persons aged 60 and older. Each state receives separate allotments for various purposes, as detailed within these title divisions of the Older Americans Act:

- Title IIIA for state agency administration;
- Title IIIIB for social services;
- Title IIIC-1 for congregate nutrition services; and
- Title IIIC-2 for home-delivered nutrition services.

Because of the time lag in announcing the federal appropriation, the California Department of Aging annually commits Older Americans Act funds based upon the proposed allocation contained in the President's Budget. The federal fiscal year begins on October 1 and extends until September 30; however, California's federal allocation is frequently not announced until January or February of the ensuing year.

The department is authorized to disburse Older Americans Act funds to the AAAs based upon a state formula calculated to consider the most accurate available statistics on the geographical distribution of persons aged 60 and older within California. The annual allocations for the AAAs are based upon the state formula. The department negotiates contracts with the 33 local Area Agencies on Aging to provide appropriate services to the elderly.

In developing their area plans to submit to the department, the AAAs request proposals from the various local service providers within the designated planning and service areas. The AAAs are responsible for awarding contracts to these local agencies to provide appropriate services to the elderly.

During the year, the department identifies Older Americans Act funds which are available from various sources and then redistributes or redirects these funds to other local agencies. For example, when the department closes the contracts that have been made with local agencies, it identifies monies that the agencies have not spent on allowable expenditures. Some of these funds are then committed to other local agencies for operations, while some funds are offered to the local agencies as one-time-only funding. The department's policy is to use the one-time-only monies for capital improvements rather than for expanding existing services.

Audit Scope and Methodology

This report specifically addresses the status of Older Americans Act funds, the status of the closing of contracts between the department and local agencies, and the status of the department's management information system as of September 9, 1980.* In conducting this review, we interviewed staff from the department and from the federal Administration on Aging. We analyzed the department's procedures for identifying and recording Older Americans Act funds and for closing contracts with local agencies. We also examined the department's Allotment/Expenditure Ledger to determine the status of Older Americans Act funds.

* We completed our fieldwork on this date to meet the report's legislative deadline of October 15, 1980.

Further, we analyzed a sample of the department's contracts with local agencies, limiting our analysis to closed Title IIIB and Title IIIC contracts whose total amounts during fiscal year 1978-79 exceeded \$500,000. This review included 60 Title III contracts for fiscal years 1976-77 through 1978-79. The value of the contracts tested represents 44 percent of the total contracts for that period. For each contract, we determined the number of months that had elapsed between the date that it expired and the date that it was closed.

We also visited six Area Agencies on Aging:

- Area 4, including Sacramento, Yolo, Yuba, Sutter, Sierra, Nevada, and Placer Counties;
- Area 5, Marin County;
- Area 11, San Joaquin County;
- Area 12, Amador, Tuolumne, Alpine, Calaveras, and Mariposa Counties;
- Area 19, Los Angeles County; and
- Area 23, San Diego County.

The selection included large and small AAAs in urban and rural locations as well as county and private nonprofit organizations. We visited providers of nutrition and social

services within four of these AAAs. The purpose of these visits was to determine how these local agencies comply with the financial policies and procedures imposed by the California Department of Aging.

CHAPTER I
STATUS OF OLDER AMERICANS ACT FUNDS
AS OF SEPTEMBER 9, 1980

As of September 9, 1980, approximately \$2.1 million in Older Americans Act funds were available to be committed to local agencies providing nutrition and social services to the elderly. However, when the department closes additional contracts it has made with local agencies, it may identify other funds. If other monies are identified, the amount of funds available for commitment to the local agencies may increase. Yet this amount may also be reduced if the department is required to repay the Federal Government for excess funds which cannot be recovered from discontinued local agencies.

This chapter includes an analysis of available federal funds, a discussion of the criteria for redirecting these funds, and an explanation of the circumstances which may affect the amount of funds available for redirection.

Analysis of
Available Federal Funds

Approximately \$2.1 million in federal funds were available for commitment to local agencies as of September 9, 1980. These funds partially consist of the remainder of the

1979-80 federal allocation which has not yet been awarded to the local agencies. Also included are those amounts which were allocated to local agencies in prior years but which were not spent. These funds are identified as available for recommitment during the contract closeout process, a procedure through which the department reconciles allowable contract expenditures with the contract award to determine the amount of unexpended federal funds. (This procedure is fully described in Chapter II.)

Table 2 below shows the amounts available to the department as of September 9, 1980 from the federal fiscal year 1979-80 allocation and from prior years' allocations.

TABLE 2
FEDERAL FUNDS AVAILABLE FOR AGING PROJECTS
AS OF SEPTEMBER 9, 1980

	<u>Social Services</u>	<u>Nutrition</u>	<u>Total</u>
Remaining funds from allocation for federal fiscal year ending September 30, 1980	\$ 814,094	\$ (926,364) ^a	\$ (92,270)
Funds identified by closing prior year contracts between July 1 and September 9, 1980	<u>1,071,557</u>	<u>1,118,368</u>	<u>2,169,925</u>
Total available funds for commitment to projects	<u><u>\$1,885,651</u></u>	<u><u>\$ 192,004</u></u>	<u><u>\$2,077,655</u></u>

Source: The California Department of Aging's Allotment-Expenditures Ledger, closeout statements and redirections not yet posted to the ledger.

^a This apparent deficit is the result of redirecting funds prior to posting contract closeouts.

The difference between the total funds available and the funds which the department has committed to local agencies is approximately \$1.9 million for social services and \$200,000 for nutrition projects--a total of approximately \$2.1 million. These funds are available for commitment to the local agencies.

Criteria for Redirection of Federal Funds

The department must redirect funds according to certain federal criteria. A letter from the federal Administration on Aging to the Director of the California Department of Aging dated August 26, 1980 states requirements for committing any unearned funds--those that have been obligated to the local agencies but have not been expended. The department must reobligate these funds during the local agency's next contract year through a notification of contract award.

These redirected funds are categorized as either carryover funds or rollover funds. Carryover funds are those unearned funds from prior years which can be used in addition to the new funding. The department restricts carryover funds to a level not greater than 5 percent of the prior contract funding for social services programs. (Nutrition services funds cannot be carried over to the next contract period.) To use these funds, local agencies must request them and include

them in their annual area plans. Additionally, carryover funds must be identified and reobligated during the subsequent local service provider's contract year. Rollover funds are unexpended funds from the contract year just ended that can be used to pay expenses during the current contract year; in this way, current year funds can be redirected.

The terms carryover and rollover can best be explained through an example. A local agency may receive contracts of \$100,000 in each of its two years of operation. During the first year, the local agency may use only \$90,000, leaving an unearned balance of \$10,000. Five percent of the contract amount or \$5,000 may be carried over for use in the next year. The \$5,000 in carryover funds is added to the funding for the second year; this raises the total available funds for the second year to \$105,000. The remainder of the balance for the first year--\$5,000--is referred to as rollover funds and will displace \$5,000 of the funding for the second year. Consequently, the department has an additional \$5,000 available for redirection.

Potential Changes to Funds Available

The \$2.1 million of Older Americans Act funds available for commitment as of September 9, 1980 may be reduced or augmented. The department may identify additional funds

when all of the contracts from prior years have been closed. When these funds are identified from previous contract years, the department may roll them over for redirection. Department officials indicate that all contracts ended by December 31, 1979, will be closed by October 31, 1980. We cannot, however, estimate the amount of funds which may become available from the contracts remaining to be closed.

The amount of federal funds may also be reduced. According to officials of the federal Administration on Aging, the State must return to the Federal Government any funds remaining from local agency contracts which have not been renewed. Contracts awarded to four local agencies originally valued at \$3.4 million have not yet been closed. These local agencies are now defunct, and the department may be unable to collect any funds which these agencies received in excess of the approved contract expenditures. Thus, to repay these excess funds to the Federal Government, the department may have to reduce the amount of funds now available for redirection.

In summary, our examination of the status of Older Americans Act funds disclosed that approximately \$2.1 million in funds were available for commitment to local agencies. This amount may be augmented or reduced, depending upon further contract closeouts or repayment of excess funds to the Federal Government.

CHAPTER II
STATUS OF THE
CALIFORNIA DEPARTMENT OF AGING'S
CLOSING OF CONTRACTS

We reviewed the Department of Aging's process for closing contracts with local agencies. We found that, as of September 9, 1980, 36 expired contracts originally valued at \$10.6 million had not been closed. However, the department had provisionally closed an additional six contracts originally valued at \$5 million by using a new procedure in which it identifies the amount of funds available for redirection based solely upon the closeout report. Further, we found that the department has taken an average of 8 to 12 months from the date of contract expiration to close contracts. Contracts are open because local agencies do not always submit the required supporting documentation along with the closeout reports. Also, some of the documentation that is submitted is inaccurate. Other delays in closing contracts result because contracts are being audited by the department. The department's provisional closeout procedure may enable it to more promptly close contracts and thus to redirect available funds to programs serving the elderly.

In the remainder of this chapter, we describe the department's process for closing contracts, review the status of contracts, and explain both the amount of time required to

close contracts and the factors affecting the closeout process. Additionally, we will discuss the department's efforts to modify its procedure for closing contracts.

The Contract Closeout Process

As discussed in the Introduction, the department contracts with local service providers for services to the elderly. These contracts commit funds to local agencies for a specified period of time. After the contracts have expired, federal regulations permit the AAAs up to three months to submit their Closeout Financial Reports to the department. These reports detail the agencies' assets, liabilities, income, and expenditures. To support the closeout statement, the AAAs must also submit other documents, including food and supplies inventories, equipment inventories, bank statement reconciliations, and various schedules.

Based upon the local agencies' closeout report and supporting documentation, the department prepares a closeout statement and compares contract funding amounts with actual project expenditures. In this way, the department determines the amount of funds remaining for redirection as of the end of the contract period. Federal regulations require contracts to be closed as soon as possible after the expiration of the contract. Until expired contracts have been closed, the department cannot identify the amount of these remaining funds.

To mitigate the potential effects of having insufficient funds for programs serving the elderly, the Legislature established the Nutrition Reserve Fund in September of 1979. As stated in Chapter 1189, Statutes of 1979, this fund sets aside \$5 million to "maintain necessary services which lack sufficient federal funding." This fund has been available for almost a year; however, no payments have been made from it as of September 12, 1980.

Status of Contract Closeouts
as of September 9, 1980

As of September 9, 1980, we found 36 contracts for which the contract closeout process had not been completed and 6 contracts which had been provisionally closed.* The following table details the status of these closeouts by contract year.

* The department had 110 contracts in the closeout process as of July 1, 1980; it had processed 68 of these contracts by September 9, 1980.

TABLE 3
 STATUS OF THE CONTRACTS
 AS OF SEPTEMBER 9, 1980
 (in millions of dollars)

<u>Fiscal Year</u>	<u>Contracts Remaining Open</u>		<u>Contracts Provisionally Closed</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1978-79	8	\$ 2.3		
1977-78	21	\$ 6.7	6	\$5.0
1974-75 through 1976-77	<u>7</u>	<u>\$ 1.6</u>	<u>—</u>	<u>—</u>
Totals	<u>36</u>	<u>\$10.6</u>	<u>6</u>	<u>\$5.0</u>

Source: California Department of Aging's Contract Administration Section.

Contract administration staff outlined several reasons why the 36 contracts had not been closed as of September 9, 1980. Twenty-five of these contracts have closeout statements that the contract administrator must review for accuracy before they are completed. Four contracts cannot be closed until the department reconciles project closeout amounts with its records. Of the seven contracts remaining, four have not been closed because the department is now auditing contract records; three of the contracts require supporting documentation from the local agencies. Departmental audits and insufficient documentation are factors that also affected a larger sample of contracts we examined.

Time Required to Close Contracts
and Factors Affecting the
Closeout Process

We analyzed 60 selected contracts that were in effect during fiscal years 1976-77, 1977-78, and 1978-79. The department took an average of eight to ten months to close these contracts and to adjust the accounting records; however, it took more than a year to close 16 of these contracts. We also reviewed the 68 contracts the department closed between July 1 and September 9, 1980. We found that the department took an average of thirteen months to close these contracts and adjust the accounting records, and it took more than a year to close 14 of these contracts.

Some of the factors that have delayed contract closeouts are listed below:

- The department has not received contract closeout reports from the local agencies;
- The local agencies have not submitted the required supporting documentation for the contract closeout;
- Documentation for contract closeouts is inaccurate;
- The department must resolve audit exceptions identified in local agencies' records.

Many local agencies have not submitted their closeout reports on time. Staff from the Los Angeles County AAA have explained that their closeout report is not promptly submitted because the 60 projects reporting to the agency do not always submit their closeout reports on time. These project reports must be manually combined. Staff contend that they do not have sufficient personnel to combine these 60 reports and still meet the 90-day deadline established by the department.

Further, the department has not closed contracts because it does not receive sufficient supporting documentation from the local agencies. Section 1725 of the department's Administrative Manual states that the local agencies will submit documents such as equipment inventories and bank statements along with the closeout report. We found that 33 of the 110 contracts that had not been closed as of July 1, 1980 did not have the required documentation. Thus, local agencies do not comply with these regulations.

In addition, inaccurate information from the local agencies may also delay the closing of contracts. On August 22, 1980, the department considered changing the policy regarding the required documentation for closeouts but decided that the supporting documentation was needed because closeout reports are frequently inaccurate.

In some instances, audits conducted by the department can also affect contract closeouts. The department's contracts with the local agencies state that all project records must be maintained until all audit exceptions have been cleared. Consequently, the final closeout report can be delayed until all audit exceptions have been resolved.

Modifications in Closeout Procedures

The department has recently adopted a closeout procedure that enables it to identify the amount of funds available for redirection. Under this new procedure, a contract can be provisionally closed based upon the closeout report from either the project or the department's records. The department closes the contract without the supporting documentation. The closeout may be revised when the department receives the supporting documentation or the projects' audit reports. Although adjustments may be required later in using this procedure, department officials state that they will be able to identify and redirect available funds more quickly. Through this procedure, the department has closed six contracts worth approximately \$5 million between July 1 and September 9, 1980.

During our review of the California Department of Aging's contract closeouts, we found that 36 contracts originally valued at \$10.6 million had not been closed as of

September 9, 1980. The department has, however, closed six contracts originally worth \$5 million through a new procedure in which it identifies the amount of funds based upon the closeout report or other available information. We also found that the department takes an average of 8 to 12 months to close contracts. These delays have resulted from such factors as the lack of supporting documentation for contracts, inaccurate documentation, and departmental audits of contract records. The department can redirect funds more quickly using the provisional closeout procedure.

CHAPTER III
STATUS OF THE
CALIFORNIA DEPARTMENT OF AGING'S
MANAGEMENT INFORMATION SYSTEM

The California Department of Aging is required by state law to gather statistics on all aspects of aging and to disseminate this information to all interested persons and organizations. Additionally, the department is to report to the federal Administration on Aging certain information on services for the elderly provided under Older Americans Act funding. The department bases its reports to the federal agency upon reports from the Area Agencies on Aging, some of which may contain estimates. Further, the department does not receive all of these reports from the AAAs by the due dates. The department is studying the development of a functional management information system.

In this chapter, we discuss the federal and state reporting requirements as well as the status of the department's reporting system. Finally, we detail the steps the department is taking to address its needs for a management information system.

Federal and State
Reporting Requirements

The department is required to submit to the federal Administration on Aging two reports each quarter. One of these reports details program expenditures by functional area and activity. The other is a program performance report that includes demographic data related to staffing, funding, the number of persons served by Older Americans Act programs, and the number and types of service sites. The department may include estimates in both of these reports.

To gather this information for the federal agency, the department requires the Area Agencies on Aging to submit two reports on a monthly basis, five reports on a quarterly basis, and a closeout report. (Appendix B lists these reports and their due dates and describes the information contained in each.) Department staff manually compile and consolidate the information from these reports to prepare the two reports required by the federal agency. In addition, this information is used to prepare the memorandums which are distributed quarterly to the AAAs, to nutrition projects, and to the California Commission on Aging. These memorandums, first published in March 1980, include information concerning facility staffing, persons receiving services, the number of sites providing services, and the relative cost of providing meals.

Status of Reporting System

The department permits the AAAs to submit estimated data in four of the reports. The three fiscal reports from the AAAs are to contain actual data. The department does not verify this information. Further, department staff stated that approximately 60 percent of the reports are not received by the due dates.

The Administration on Aging has also reviewed the department's operations. The report, dated August 22, 1980, concluded that there were deficiencies in the department's management reporting systems. Specifically, the federal agency noted that

Senior and executive staff do not have adequate internal reports available on a timely basis to make decisions. The wide range of subsystems in place throughout the operating components of [the department] requires that information be generated by many individuals. These individuals and related subsystems report to different levels and operating units. The result is uncoordinated information flowing to senior staff.

Proposed Automated Data System

On August 7, 1980, the department received approval from the Health and Welfare Agency to hire a consultant for \$50,000 to expedite the development and installation of a functional management information system. The consultant is to


develop a detailed position paper to guide the development of information system over the next two to three years. In addition, the consultant is to identify and define options for upgrading the department's existing information system, modify the system as necessary, and phase in and test the modified management information system. The department has not conducted any other studies to determine the feasibility of, need for, and costs of an automated information system.*

Department management expects the system to compile demographic data by July 1, 1981 with fiscal information to be added by July 1, 1982. The demographic data meet the requirements that the CDA be a clearinghouse for information on all aspects of aging. Nevertheless, accurate fiscal information should be made available. This data could provide for more accurate project accounting and closeout information and could assist the CDA in redirecting funds and in preparing required reports promptly. We also found that the California Department of Aging is permitted to include some estimates and

* The Supplemental Report of the Committee of Conference on the Budget Bill for 1980-81 prohibits the development of a computerized data system for the California Department of Aging until the Department of Finance has completed an evaluation of the department's accounting and reporting systems. The Department of Finance's evaluation is to be submitted to the Legislature no later than November 15, 1980.

the department does not receive all reports from the AAAs by the due dates. Further, the department is now studying the development of an improved management information system.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Date: October 14, 1980

Staff: Robert E. Christophel, Audit Manager
Georgene L. Bailey
Walter M. Reno, CPA
Sandra S. Bevers, CPA
Mary M. Quiett
Edwin H. Shepherd
Kirk H. Gibson
Mark A. Lowder

DEPARTMENT OF AGING

918 J STREET

SACRAMENTO, CALIFORNIA 95814



Mr. Thomas W. Hayes
Auditor General
926 "L" Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hayes:

We have completed a review of your recent report 014.1 Status of the California Department of Aging's Funding, Closing of Contracts, and Management Information System.

My first response is a commendation to you and your participating staff on a most professional piece of work. My staff and I were pleausurably struck by the clarity and simplicity of style, the precision of delivery and, with the exception of the relatively minor points noted below, the accuracy of statement and implication.

Our areas of disagreement with the report are as follows:

1. Page 12: With reference to the table of figures showing federal funds available for aging projects as of September 9, 1980, we are pleased to note that as of September 30, 1980, there were no 1980 funds remaining to be allocated, and in fact, there was a negative balance in 1980 nutrition funds of [\$2,045.93]. The balance shown in the September 9, 1980 table (\$2,077,655) has been fully (as above) committed to projects for use in combination with 1981 funds to maintain existing program levels to the degree possible given inflationary impact.
2. Page 18: The observation is made that no payments had, as of September 12, 1980, been made from the State Nutrition Reserve Fund, (NRF) although the fund had been available for almost a year.

In fact, application against the NRF had been made for amounts exceeding \$316,000, as early as December 1979. However, the Department of Finance had final approval authority over the funds, and did not actually approved utilization of the funds until April 21, 1980. Because of the pressing and urgent funding needs of the projects involved, the Department chose to advance otherwise allocated nutrition program monies in anticipation of Finance approval.

Mr. Thomas W. Hayes
Page 2

Subsequently, on July 21, 1980, the Department submitted to the State Controller's Office a request for transfer of \$204,182.92 in expenditures from the Older Americans Projects and Nutrition Program Account #942-490-743-201-01 to the State Nutrition Reserve Fund Account #001-490-779-750-00. (The difference between the initial requested amount and the transfer amount resulted from a final closeout of project accounts, adjusting to actual allowable expenditures.)

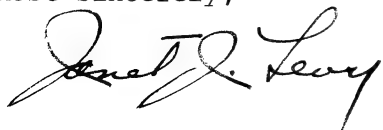
3. Page 19: Since September 9, 1980, Department staff have completed additional closeouts. Of the 36 contracts originally worth approximately \$10.6 million, we have closed out 17, leaving a remaining balance of 19, originally valued at \$6.5 million.
4. Page 22: The reference to the impact on closeouts of departmental audits of projects demands some clarification. While it is true that a project's records must be retained until all audit exceptions are cleared, it does not necessarily mean that final closeout will follow resolution of audit exceptions. If, either because of a delay in a closeout (due usually to backlog) or because an urgent and immediate audit is indicated, an audit of a project is in process at the time a closeout would be initiated, the Department defers closeout pending audit results. This permits a very precise closeout without unnecessary duplication of effort.

In the normal course of events, every grant should be closed out within six months of end of contract. However, not every grant must be audited, although every grantee must be audited approximately once every two years. Thus, the likelihood of audit closeout concurrency is rather slight.

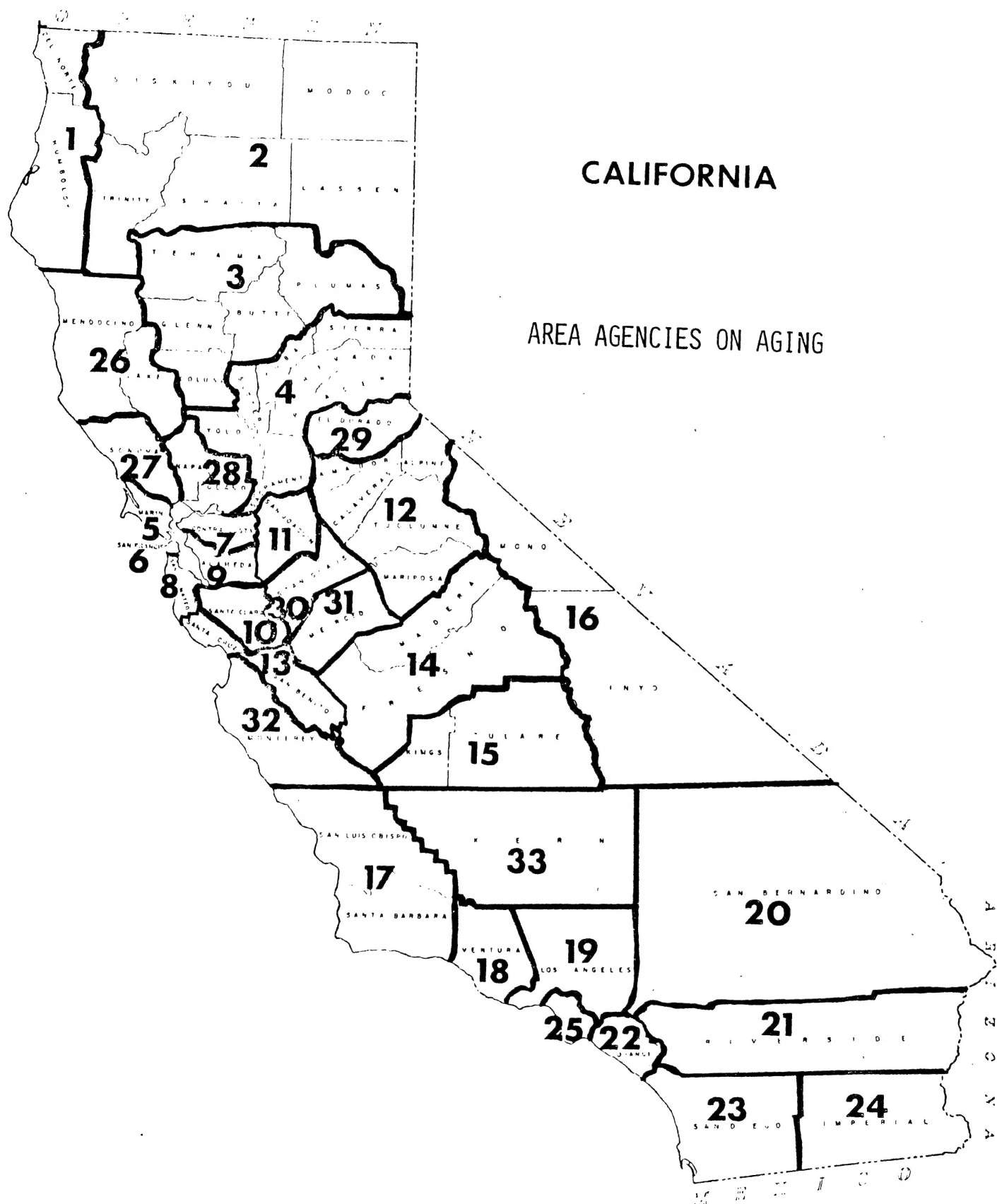
5. Page 22: Although the report clearly attempts to avoid the potential for misinterpretation of the value of contract closeout, we feel further clarification is necessary. In particular, it is important to note that historically only about 5-6% of the total value of grants is identified during closeout as available for redirection. Thus, from 36 contracts originally valued at \$10.6 million, no more than approximately \$530,000 (5%) is likely to be identified for redirection.

Similarly, of the 6 referenced contracts originally worth approximately \$5 million, only about \$250,000 was realized for redirection.

Most sincerely,



Janet J. Levy
Director
(916) 322-5290



AREA AGENCIES ON AGING

<u>AAA #</u>	<u>County/Counties</u>	<u>AAA #</u>	<u>County/Counties/City</u>
1	Humboldt, Del Norte	17	Santa Barbara San Luis Obispo
2	Trinity, Shasta, Siskiyou, Modoc, Lassen	18	Ventura
3	Tehama, Glenn, Colusa, Butte, Plumas	19	Los Angeles County (excluding Los Angeles City, see #25)
4	Yolo, Sacramento, Yuba, Sutter, Sierra, Nevada, Placer	20	San Bernardino
5	Marin	21	Riverside
6	San Francisco	22	Orange
7	Contra Costa	23	San Diego
8	San Mateo	24	Imperial
9	Alameda	25	Los Angeles City
10	Santa Clara	26	Lake, Mendocino
11	San Joaquin	27	Sonoma
12	Amador, Tuolumne, Alpine, Calaveras, Mariposa	28	Napa, Solano
13	Santa Cruz, San Benito	29	El Dorado
14	Fresno, Madera	30	Stanislaus
15	Kings, Tulare	31	Merced
16	Inyo, Mono	32	Monterey
		33	Kern

REPORTS TO BE SUBMITTED TO THE
CALIFORNIA DEPARTMENT OF AGING (CDA)
BY AREA AGENCIES ON AGING

<u>Report Number</u>	<u>Report Title</u>	<u>Report Due Date</u>	<u>Information Reported</u>
CDA 16	Monthly Nutrition Participant Report	15th of each month	Number of meals served; contributions; ethnic breakdown of recipients.
CDA 72 ^a	Quarterly Nutrition Project Report	3/31 6/30 9/30 12/31	Number of meal sites; project staffing; number of meals; number of unduplicated persons by ethnic category.
CDA 73 ^a	Quarterly Program Performance Report	3/31 6/30 9/30 12/31	AAA staffing; estimated dollar value and sources of resources; recipients of services by ethnic category; recipient of services by type of service.
CDA 86	Monthly Report of Cash Flow and Request	15th of the month	Cumulative total cash received and disbursed; request for additional funds.
CDA 87 ^a	Quarterly Summary of Revenues and Expenditures	3/31 6/30 9/30 12/31	Expenditures for meals; amount of contributions; status of federal funds; summary of revenues and expenditures.
CDA 88	Quarterly Report of Transactions	1/22 4/22 7/22 10/22	Balance sheet; report of revenues; report of expenditures.
CDA 90 ^a	Quarterly Summary of Revenues and Expenditures (IIIB)	3/31 6/30 9/30 12/31	Expenditures for services; amount of contributions; status of federal funds; summary of revenues and expenditures.
CDA 94	Closeout Financial Report	3 months after the end of the budget period	Final fiscal report of project operations; balance sheet; revenues; expenditures.

^a These reports may contain estimates -- use as quarters Dec-Feb, Mar-May, June-Aug, and Sep-Nov.

^b Separate reports must be submitted for Title IIIC-1 (congregate nutrition services) and Title IIIC-2 (home-delivered nutrition services) programs.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps